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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Service
Office of the Administrator
Washington 25, D. C.

REPORT AND RECOMMENDATIONS
of the
FOOD DISTRIBUTION RESEARCH AND MARKETING ADVISORY COMMITTEE
Developed at its Ninth Meeting
February 6-8, 1963

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JUN 19 1963

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Additional copies of this report may be requested from W. C. Dachtler,
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PREFACE

The ninth meeting of the Food Distribution Research and Marketing Advisory Committee was held in Washington, D.C., on February 6 through 8, 1963, with 5 of the 11 members present. As a basis for its recommendations and comments, the Committee made a systematic review of the Department's research program for food distribution as summarized in the progress report dated December 14, 1962. The progress report material was supplemented by oral reports, visual materials, and discussion by program leaders from the following USDA research divisions and agency units: Marketing Economics, Standards and Research, Economic and Statistical Analysis, Transportation and Facilities, and Market Quality.

After careful review of the information available and based upon current and future need for new knowledge and seriousness of problems faced by the industry, the Committee made the comments and recommendations included in this report to the Secretary of Agriculture.

GENERAL COMMENTS AND RECOMMENDATIONS

Accelerated Food Distribution Research. The Committee was impressed by the dedication of the research workers and by the quantity of research that has been accomplished with the small amount of resources that are available. The Committee wishes to reiterate its past recommendations that more support be given food distribution research, particularly that devoted to the operational efficiency studies of food wholesaling and retailing. The increasing complexity of the distribution system and the continued rising costs make research more necessary, but at the same time more costly.

The present research program to increase the operating efficiency of wholesalers and retailers has made a substantial contribution toward holding down the increased marketing costs in the last decade. If it had not been for increased efficiency in food distribution, labor costs alone would have cost the consumer an additional \$7 billion. A small amount of research emanating from the USDA as a fountainhead and catalyst has had amazingly far-reaching effects through lower food costs to consumers and higher returns to the producer for his products, as well as lower food costs for his family.

Federal Extension Service Work. The Committee wishes to commend the Federal Extension Service for the effectiveness of its work in extending the results of USDA research to food distribution firms and in obtaining an understanding of the food distribution function by consumers and producers. It is recommended that more emphasis be placed on obtaining the cooperation and understanding of labor in getting labor-saving methods adopted.

MARKET ORGANIZATION AND DEVELOPMENT

COMMENTS AND RECOMMENDATIONS

The Committee recommends that additional attention be given to the marketing of dairy products and wheat. Research that looks towards developing new products, new uses and lower marketing costs for these products should be emphasized over studies dealing with other commodities. It does not believe that developing the product "Bulgur" has any significant potential and suggests that market development work on this product be discontinued.

It was felt that research concerned with the development of the institutional and restaurant food service industry should be emphasized ahead of the other work concerned with merchandising and promotion.

The Committee also suggests that with the limited resources available for merchandising and promotion that these resources be concentrated on studies concerned with developing and evaluating improved merchandising, advertising, promotion, product distribution, and the movement of food products.

The Committee believes the work concerned with the "Impact of Technological Improvements in Slaughtering on Meat Quality and Costs" should be given high priority. It was felt that the issue of tenderness is one of considerable current interest and urgently needs some research answers. The research on quality discrimination in meat is closely allied with the technological developments and should be undertaken at the same time.

It is suggested that study of consumer reaction to debittered canned grapefruit juice has little value and should be deemphasized.

EFFICIENCY STUDIES OF WHOLESALERS AND RETAILERS

COMMENT AND RECOMMENDATIONS

1. The Committee notes there is a considerable quantity of detailed operating data available for use with high-speed computers to make possible the development of management controls and standards heretofore not available to the industry. The research and development of these systems have a high initial cost, but when once developed have industry-wide application and a potential for great efficiencies. The Committee believes that this is an area where operational efficiency research in the Department can make a particularly significant contribution and urges additional resources to undertake the work immediately.

2. The Committee pointed out the high degree of interrelationship between the retailing, wholesaling, warehousing, and manufacturing of food. It emphasized the desirability of developing the most efficient distributive system as well as improving individual functions. It strongly urged that research be undertaken or expanded as soon as resources are available in the following broad areas:

a. Central preparation of meat and produce for retail sale. Research has materially aided in increasing the average sale per man-hour in meat departments of retail stores from \$20 to \$25 in 1950 to about \$35 to \$40 at present. Results of some preliminary research indicate that by packaging the meat at the warehouse instead of the retail store sales per man-hour can be increased to over \$65, thereby saving almost 50 percent of the retail cost of distribution. Similar savings (estimated \$4,500 per store per year) can be obtained by performing the produce packaging functions at the central warehouse instead of at the store. The objective of this research should be to increase the efficiency of handling and packaging fresh meat and produce items by packaging at the warehouse level instead of the retail store.

b. Improved Facilities, Equipment, and Work Methods for Handling Food from the Manufacturer Through the Retail Store. Handling efficiency at the retail level is partially dependent upon equipment and methods used at the warehouse and, in many instances, at the processor level. Improved handling procedures for food products developed in retail stores and warehouses have reduced marketing costs substantially, but many additional savings can result from proper application and

combination of these best methods. The objectives of this research should be: (1) To develop production standards for all major retail, warehouse, and delivery operations; and (2) to develop lowest cost alternative methods of handling from the manufacturer through the public warehouse, the wholesaler, and the retail store.

c. Improved Accounting and Checkout Procedures. The checkout still remains a bottleneck in most food store operations. The development of the automatic checkout as an originating source for electronic data processing systems promises substantial economies in inventory control, retail accounting, pilferage, automatic store ordering, and the front end operation. This highly sophisticated system has great potential for use in cost reduction, not only in the retail store but also for delivery, warehousing, and manufacturing. However, developing this potential requires intensive research effort and a high degree of training--an investment most food firms have not been able to make. The objective of this research should be to develop, in cooperation with new equipment manufacturers, checkout data handling techniques and programs for the food industry, and to improve the checkout function for more customer satisfaction.

d. Integrated Warehousing. The modern food warehouse is becoming a complete supply and service center to their integrated retailer customers. Research during the past several years by AMS has developed techniques that will improve grocery warehousing efficiency by at least 25 percent. However the addition of new departments, especially perishables, to traditional grocery operations creates many new operating problems. The objective of this research should be to develop improved facilities, layout, equipment, truck transportation, and operational procedures for large and small complete supply warehouses.

e. Improved Handling of Food Products Through Institutional Warehouses and Food Service Outlets. Nearly one-fifth of the food volume moves through institutional outlets. It is estimated that the present rate of 1 meal out of 4 in a public eating place will be increased in 10 years to 1 meal out of 3. Costs of distribution through institutional outlets have been traditionally high and have remained relatively so. Preliminary research indicates that wholesale costs can probably be reduced by 50 percent with improved facilities, work methods, and procedures. Preliminary research also indicates that substantial efficiencies may be obtained by improved methods for the preparation of food in institutional outlets. The objective of this research should be to develop improved handling practices in institutional warehouses and food service outlets.

f. Planning Marketing Facilities. Studies of terminal market facilities have been made in such cities as Philadelphia, New York, Boston, and more than 50 other cities. These studies indicate potential savings in millions of dollars in food handling costs. The \$100 million center for food wholesaling and processing in Philadelphia has made possible annual savings of several million dollars in handling costs, and the proposed

facilities in New York can save \$25 million per year. The objectives of this work should be: (1) Terminal wholesale market facility planning, and (2) assistance in planning improved marketing facilities in producing areas.

QUALITY MAINTENANCE DURING DISTRIBUTION

COMMENTS AND RECOMMENDATIONS

1. The Committee believes that better methods and devices for the measurement of quality factors in fresh fruits, vegetables and meats are needed to improve customer satisfaction and to provide a better basis for transactions between the buyer and seller of these agricultural commodities. It is especially interested in the development of simple testing devices which are non-destructive to the commodity. Emphasis should especially be placed on ways of measuring the degree of ripeness in melons and the tenderness of beef.

2. Expanded research also is needed on non-chemical treatments for control of post-harvest diseases of fruits and vegetables. The Committee noted with great interest the preliminary indications of research on hot water exposure for brief periods as an effective treatment especially for use in maintaining the quality and extending the shelf life of peaches through control of scald. Research will be needed to determine the commodity tolerance to effective temperatures of the water bath for peaches and other fruits and vegetables.

3. Work being carried on by the Department to control insect infestation during distribution impressed the committee very favorably. It believes this work should be continued along the lines now being studied and in accordance with plans outlined during the meeting. Of special interest to the retailer and wholesaler are studies to control infestation in dried fruits.

PACKAGING

COMMENTS AND RECOMMENDATIONS

The Committee considers the work on evaluation of packages and containers and the improvement of packaging methods to be of substantial value to the distributive industry and recommends that this research be continued at about the same level and in accordance with plans outlined by the Department.

